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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CONSUMER SPENDING IS STILL EXPANDING
* BUT BUSINESS INVESTMENT IS DECLINING
* MANUFACTURED EXPORTS HAVE TURNED SLUGGISH
* INDUSTRIAL OUTPUT CONTINUES TO WEAKEN
* JOB GROWTH REMAINS SLOW
* NEW ORDERS MAY HAVE STARTED TO REBOUND
* OUTLOOK * THE ONCE BRIGHT FORECAST FOR THE SECOND HALF OF 1986 HAS BEEN REVISED TO A MODERATE THIRD AND FOURTH QUARTERS

OVERVIEW: What a difference 6 months can make! Back in February, the **Economic Forecasts** were saying that the economy would be expanding at a robust 4% pace by now. In fact, there was some concern that the surge in business activity would be accompanied by substantial inventory accumulation. Real output, then, might turn negative for a quarter or two in 1987 as those backlogs were worked down.

Now, six months later, there is little fear of real GNP dropping next year. Inventory accumulation never got underway. Strong GNP growth never materialized. And now the **Economic Forecasts** are indicating that business' sluggish pace is likely to continue right through into the first half of next year.

There are now obvious factors that will induce a faster pace of activity. The early benefits of declining interest rates and energy prices have already made their mark on consumer spending—especially car and home buying. Business investment, conversely, is contracting despite fairly positive attitudes of business executives. Government spending is being reined in by deficit-reduction. Finally, the lower dollar has had only limited impact on foreign trade to date.

The latest cut in the discount rate certainly enhanced growth prospects. But rising consumer demand, not interest-rate reduction, has largely set the pace of expansion so far this year. And with questions about how strong consumer spending will remain, growth prospects appear limited.

DOMESTIC MARKET MONITOR

Poor conditions in the industrial sector are keeping the labor market in low gear. To be sure, The Conference Board's **Help-wanted Index** rebounded in June, after 5 straight declines. But this measure of labor demand remains no better this Summer than last. And the unemployment rate is no lower this Summer than last. In fact, a decline in labor-force participation in recent months has kept the unemployment rate from rising.

Manufacturers have not been hiring and have shortened the workweek. As a result, total hours worked in manufacturing were 0.9% lower in July than 3 months earlier. Nonmanufacturing hours have been rising slowly: only 0.3% higher in July than 3 months earlier. In fact, the only significant rise in hours was in business, health and other services—1% higher in July. Weak labor-market conditions, then, have not strictly been confined to the industrial sector.

The decline in adult-male labor-force participation may indicate that some households are losing confidence in the economic expansion continuing. Yet the consumer attitude survey continues to reflect widespread optimism. The Conference Board's **Consumer Confidence Index** stood at 94.5 (1985 = 100) in July, not much different from readings over the last eighteen months. Oddly, despite the lower participation rate for adult males, there's no appreciable change in the number of survey respondents who say that jobs are hard to find now.

Weak job growth, slow rise in total hours worked and stagnation in hourly pay rates are limiting the rise in personal income. Wages in commodity-producing industries were 0.3% lower in July than 3 months earlier. Wages in other industries were about 1% higher: Government workers received a 1.4% gain and service workers earned 1.4% more. Given the continued slow increase in employment and hours in July, wage income probably continued to rise slowly in that month.

Nonwage income, in contrast, continues to rise sharply: 1.6% higher in June than 3 months earlier. Dividends were 1.9% higher and shopkeepers' income was 3.3% higher. Rental income has been rising quite rapidly.

The trouble is that nonwage income tends to be saved, not spent. Neverthelss, the overall saving rate remains quite low. Nor are consumers prone to increase their debt right now. The ratio of **Consumer Installment Debt Expansion to Personal Income** has been falling steadily since December. Slow income gains, depressed saving rate and little appetite for new debt—except car loans and mortgages—are all factors that may limit the rise in consumer spending.

Ken Goldstein, Editor

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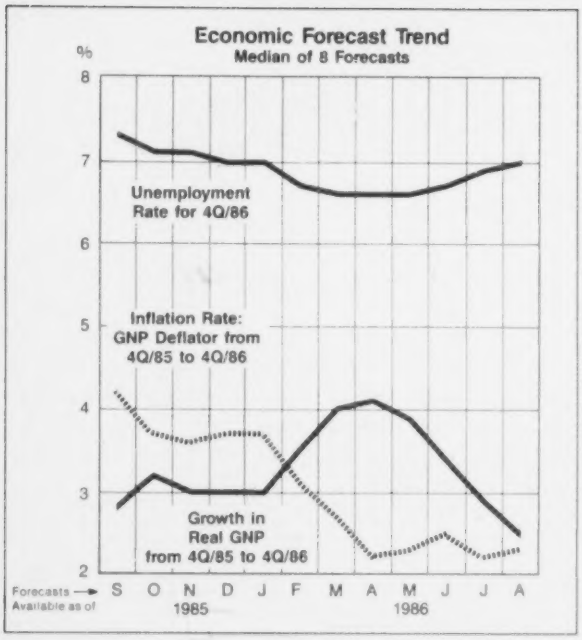


This outlook is crucial because consumer spending has been the mainstay of economic growth in this long expansion—now more than 4 years old. Total consumer spending, deflated, was 1.1% higher in June than 3 months earlier. Spending on durables was 5.5% higher—chiefly due to a rise in buying of cars and parts. Spending on nondurables was 0.1% lower and spending on services was 0.6% higher.

Home buying also remains reasonably brisk. After a sharp increase in March, new single-family home sales dipped in the 3 succeeding months. Still, the 700,000 home sales in June were sufficient to sustain a strong pace of single-unit construction. Despite a sizable decline in multi-unit construction, total housing starts were running close to a 2 million annual rate. Weakness in multi-unit construction may reflect anticipations of proposed tax-law changes in the treatment of rental income. In fact, the recent sharp increases in rents may be an attempt to compensate in advance for prospective rise in tax liability.

While residential construction remains robust, nonresidential building continues to slump. The value of new, nonresidential construction, deflated, was 3.4% lower in June than 3 months earlier. Factory building was down 2.5%; office building was down 8% and commercial building was 9.5% lower. Low occupancy, low capacity utilization and, perhaps, proposed tax-law changes are all factors in this decline in capital investment.

Lower energy prices have helped turn sluggish industrial conditions into an outright decline. Energy production was 3.6% lower in June than 3 months earlier; utility output was 3.9% lower. (Production of consumer goods, however, was only 0.4% lower.) Altogether, industrial production was 1.8% lower in June than it was last December. And July's decline in hours worked suggests that industrial output dipped again that month.

After falling for months, new orders may have finally stopped dropping. Total orders for durable-goods were actually 0.1% higher in June than 3 months earlier. Further, new orders for metals were 5.8% lower—but metal prices, until very recently, had been falling sharply.

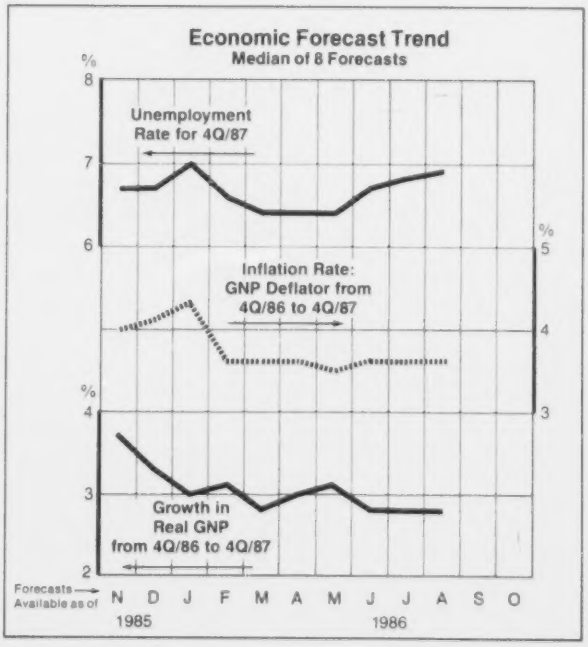
INVENTORY: The other side of the recent decline in new orders has been the lackluster pace of industrial sales. Total sales were 1.4% lower in May than 3 months ago. Total inventory was only 0.2% higher, and that largely represents unsold cars. Thus, despite very limited increases in inventory, the inventory-to-sales ratio inched higher.

PRICES: After a long decline, farm and commodity prices have started to rebound. Livestock prices rose 14% in July. Crop prices also moved higher and, with heat and drought in the Southeast, prices may continue advancing. Raw industrial prices rose 1.6% in July. Oil prices have also firmed, and the OPEC agreement on production may induce some further price recovery.

INTERNATIONAL MONITOR

Exports have dropped sharply. Fuel shipments were 30% lower in June than 3 months earlier. Food shipments declined by an almost equal amount. Manufactured exports were 7.7% lower and the declines extended to most components. Exports to Japan almost doubled over the last 3 months. But exports to EEC countries fell 16 percent. Exports to other developed countries dropped by 38 percent.

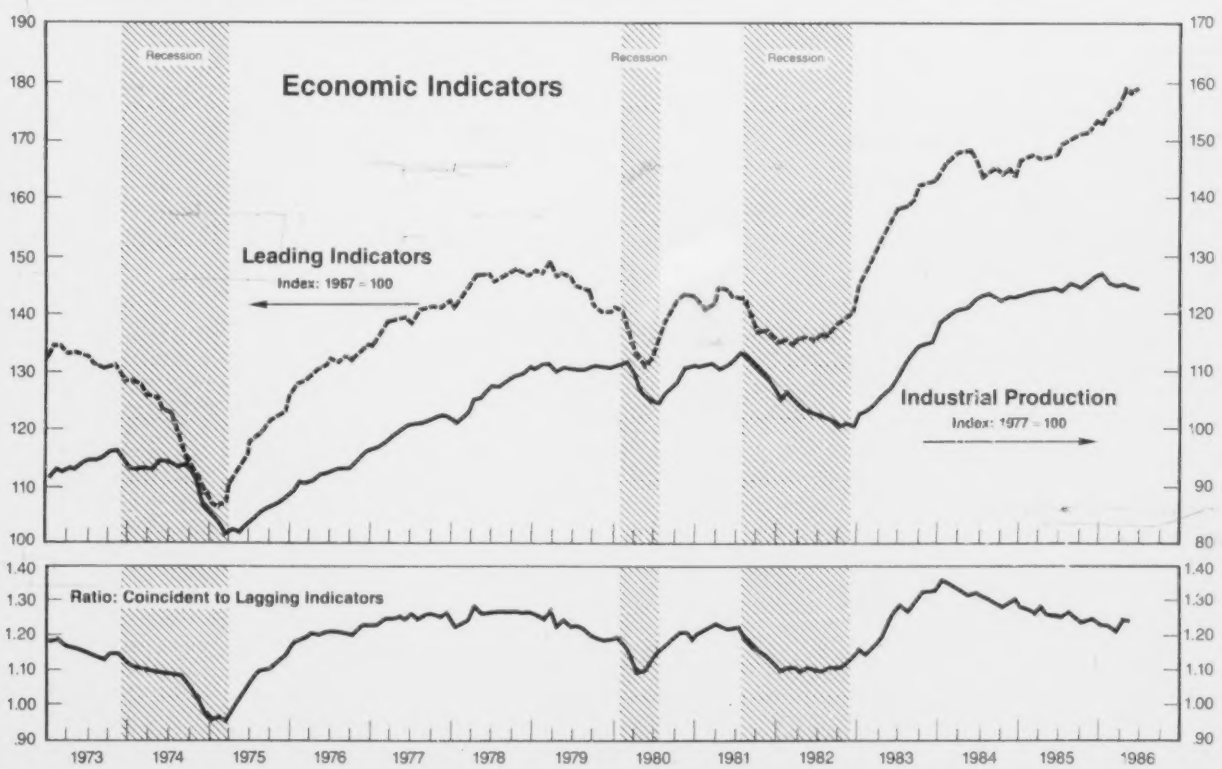
Ken Goldstein
August 12, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			1.5%	6.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June		X		5.6%	– 1.7%
New orders, nondefense capital goods (deflated)	June		X		4.6%	– 0.3%
*New business formation	June		X		– 1.6%	2.9%
*Housing permits	June		X		– 2.3%	4.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		0.5%	1.4%
*Change in inventory, on hand & order (deflated)	May		X		– 5.4%	18.7%
Purchasing agents' buying policy	July	X			4.0%	0.0%
*Vendor performance, reported slower deliveries	June	X			0.0%	6.0%
Industrial raw materials prices	July	X			3.5%	– 5.5%
*Change in sensitive material prices	June	X			0.7%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June	X			2.6%	5.7%
Change in business loans	June		X		25.1%	41.5%
*Change in credit outstanding	June		X		– 0.1%	0.0%
Change in consumer installment debt	May		X		3.5%	– 11.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 4.0%	5.1%
*Common stock prices	July	X			1.8%	25.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		– 0.1hr	0.3hr
*Initial unemployment claims (inverted)	July		X		– 2.9%	– 1.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading index charted below.



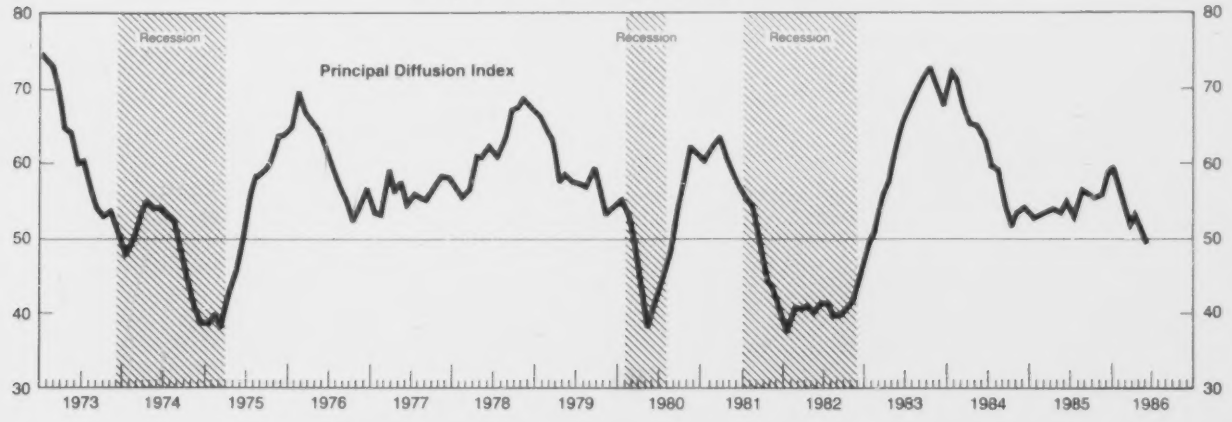
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Jun.	1986 Mar.	Apr.	May	Jun.(e)
Principal Diffusion Index	54.8	51.0r	53.9r	51.3r	49.6
Auxiliary Diffusion Index	58.6	41.1r	59.6r	41.6r	44.2
Industrial Group	57.0	51.2r	52.8r	46.3r	45.1
Nonindustrial Group	52.6	50.8r	55.1r	50.4r	54.0
Sense of Diffusion	1	1	1	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	54.7	57.3	63.2	58.1	48.3
Labor	60.1	50.5r	52.9r	45.6r	45.4
Miscellaneous	52.6	43.6	36.5	30.1r	39.7
Nonindustrial Subgroups					
Prices	46.8	54.5	53.8	61.5	68.6
Consumer	60.3	59.0r	65.4r	66.2r	66.2
Building	55.1	41.3	50.0	42.9	35.9
Miscellaneous	47.0	46.6	49.1	52.1r	44.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983	*1984*				*1985*				*1986*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	74	70	65	61	57	61	52	51	55	61	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	80	76	75	70	57	62	48	45	53	63	61
2. Expectations for Economy, Six Months Ahead	73	67	60	57	57	61	53	53	56	62	62
3. Expectations for Own Industry, Six Months Ahead	70	67	61	57	58	61	55	54	56	59	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

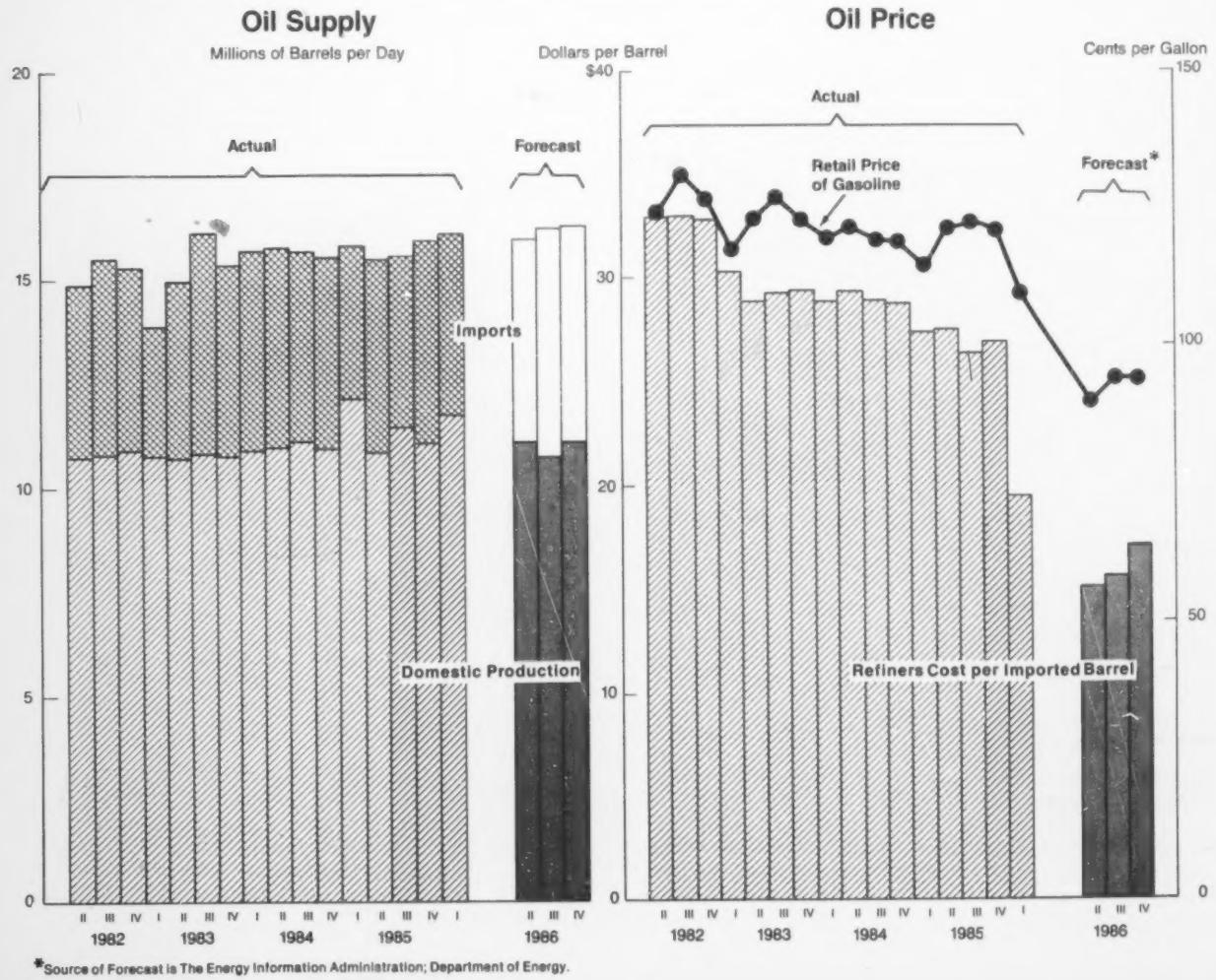
Billions of Dollars, Seasonally Adjusted

	1984		1985				1986	Percent Change From Previous Year	
	III	IV	Ir	IIr	IIIr	IVp	Ip	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.309	29.100	29.938	27.560	24.167	27.190	24.504	- 8	- 4
Capital expenditures	23.034	24.587	23.354	24.911	24.730	26.336	23.922	10	2
Change in appropriations backlog*	+2.885	+2.302	+4.984	+0.529	-2.702	-2.594	-1.957		
Durable Goods									
New appropriations	12.742	15.072	16.737	10.910	12.031	12.005	12.651	- 13	4
Capital expenditures	11.101	12.223	11.648	12.814	12.299	12.676	11.719	15	5
Change in appropriations backlog*	+1.107	+1.797	+4.154	-2.515	-1.094	-3.063	-0.902		
Nondurable Goods									
New appropriations	14.567	14.028	13.201	16.650	12.136	15.185	11.853	- 2	-12
Capital expenditures	11.933	12.364	11.706	12.097	12.431	13.660	12.203	6	- 2
Change in appropriations backlog*	+1.778	+0.505	+0.830	+3.044	-1.608	+0.469	-1.055		
ELECTRIC & GAS UTILITIES									
New appropriations	9.863	11.554	9.283	15.037	4.907	8.541	10.001	9	
Capital expenditures	9.212	9.337	8.925	9.248	8.952	8.333	9.263	- 3	
Change in appropriations backlog*	- 1.607	- 3.147	+0.293	+4.723	-5.052	-0.272	+0.523		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

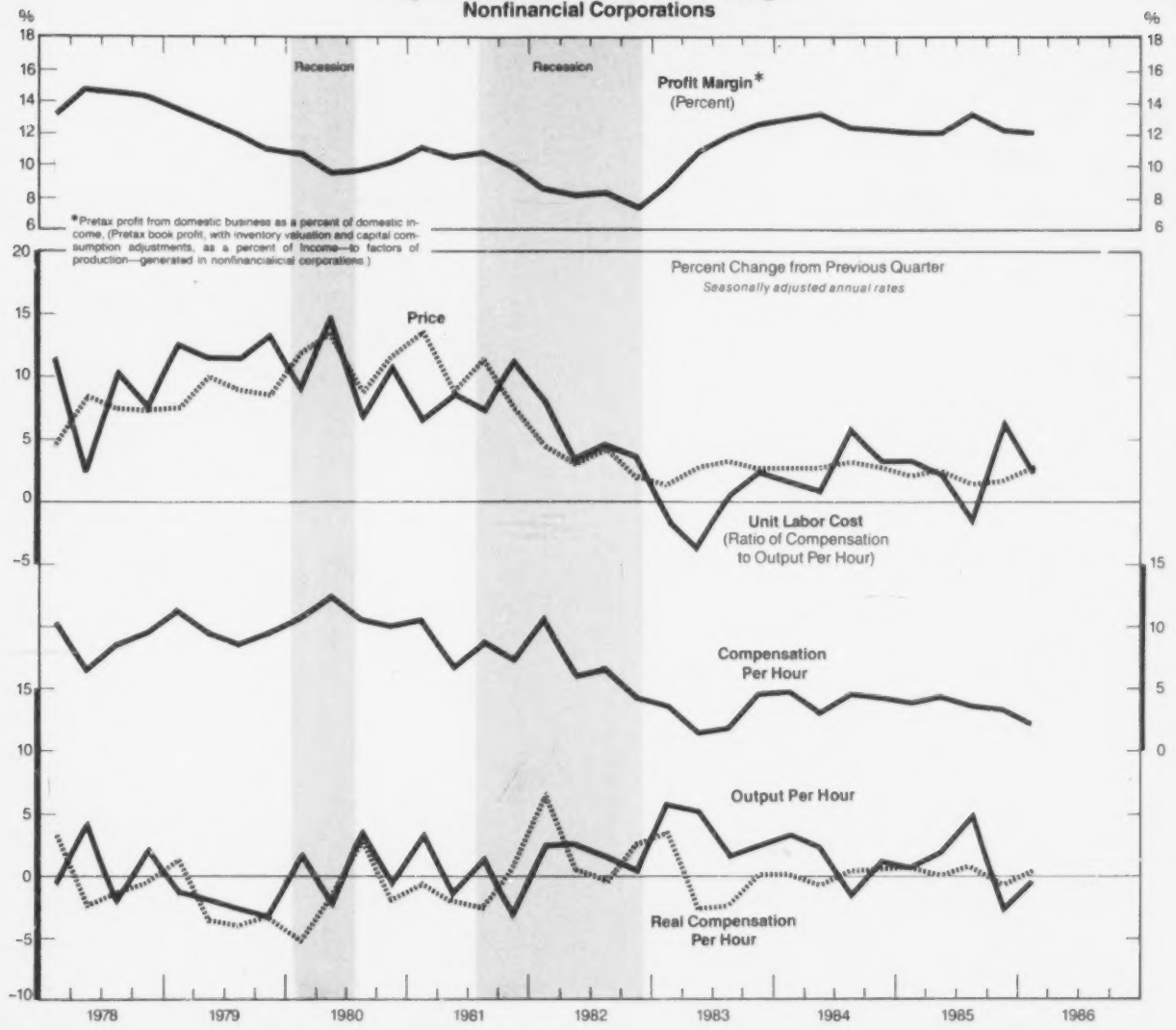
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



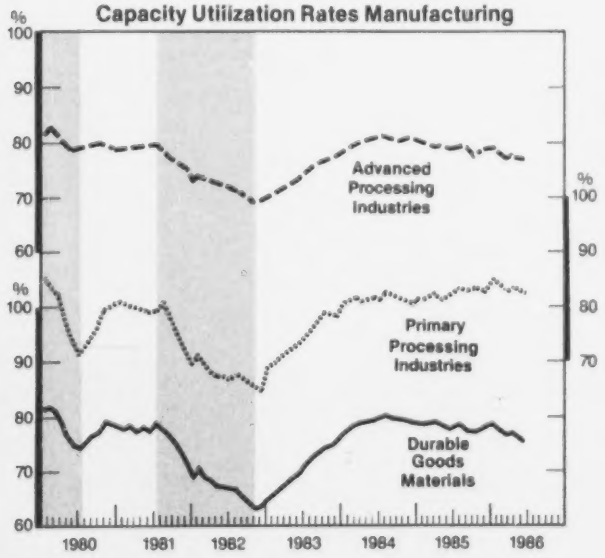
*Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin

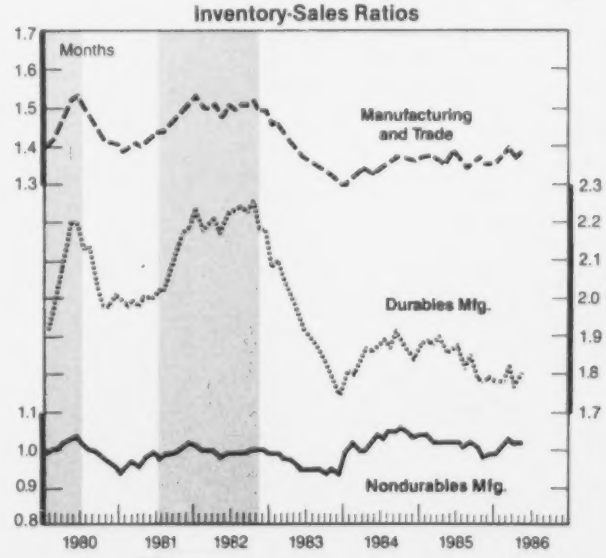
Nonfinancial Corporations



Capacity Utiilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July, 1986*		*July, 1986*		*July, 1986*		*July, 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**II**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**
		III	4237.0	5.3	4231.6	4.8	4236.5	5.3	4235.9	5.2
		IV	4290.2	5.1	4251.8	1.9	4301.0	6.2	4287.6	5.0
	1987	I	4366.0	7.3	4287.1	3.4	4383.6	7.9	4347.6	5.7
		II	4452.9	8.2	4358.2	6.8	4468.2	7.9	4414.1	6.3
		III	4535.3	7.6	4418.3	5.6	4551.6	7.7	4473.9	5.5
		IV	4625.2	8.2	4483.0	6.0	4628.5	6.9	4522.2	4.4
	1988	I	4736.7	10.0						
		II	4841.1	9.1						
		III	4917.6	6.5						
	1986	Annual	4214.7	5.4	4203.7	5.1	4217.3	5.5	4213.8	5.4
	1987	Annual	4494.9	6.6	4386.7	4.4	4508.0	6.9	4439.5	5.4
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**II**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**
		III	3695.5	3.3	3680.5	1.6	3700.0	3.8	3686.6	2.3
		IV	3724.2	3.1	3676.7	-.4	3740.0	4.4	3699.4	1.4
	1987	I	3759.9	3.9	3688.5	1.3	3779.0	4.2	3715.9	1.8
		II	3807.3	5.1	3712.4	2.6	3819.0	4.3	3740.8	2.7
		III	3851.8	4.8	3737.0	2.7	3854.0	3.7	3750.1	1.0
		IV	3901.7	5.3	3765.0	3.0	3883.0	3.0	3752.9	.3
	1988	I	3946.7	4.7						
		II	3987.3	4.2						
		III	4009.2	2.2						
	1986	Annual	3685.3	2.8	3669.7	2.4	3690.4	2.9	3676.9	2.6
	1987	Annual	3830.2	3.9	3725.7	1.5	3833.8	3.9	3739.9	1.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**II**	**114.1**	**2.1%**	**114.1**	**2.1%**	**114.1**	**2.1%**	**114.1**	**2.1%**
		III	114.7	2.0	115.0	3.1	114.5	1.4	114.9	2.9
		IV	115.2	1.9	115.6	2.3	115.0	1.8	115.9	3.5
	1987	I	116.1	3.2	116.2	2.0	116.0	3.5	117.0	3.9
		II	117.0	2.9	117.4	4.1	117.0	3.5	118.0	3.5
		III	117.7	2.7	118.2	2.9	118.1	3.8	119.3	4.5
		IV	118.5	2.7	119.1	2.9	119.2	3.8	120.5	4.1
	1988	I	120.0	5.1						
		II	121.4	4.7						
		III	122.7	4.2						
	1986	Annual	114.4	2.6	114.6	2.7	114.3	2.5	114.6	2.8
	1987	Annual	117.3	2.6	117.7	2.8	117.6	2.9	118.7	3.6
Unemployment Rate										
Actual	**1986**	**II**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
		III		7.0		7.2		7.2		7.0
		IV		6.9		7.5		7.0		6.9
	1987	I		6.8		7.6		6.9		6.8
		II		6.6		7.6		6.9		6.7
		III		6.4		7.6		6.8		6.8
		IV		6.2		7.5		6.8		7.0
	1988	I		5.9						
		II		5.7						
		III		5.6						
	1986	Annual		7.0		7.2		7.1		7.0
	1987	Annual		6.5		7.6		6.9		6.8

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on preliminary second quarter data.

[2]Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

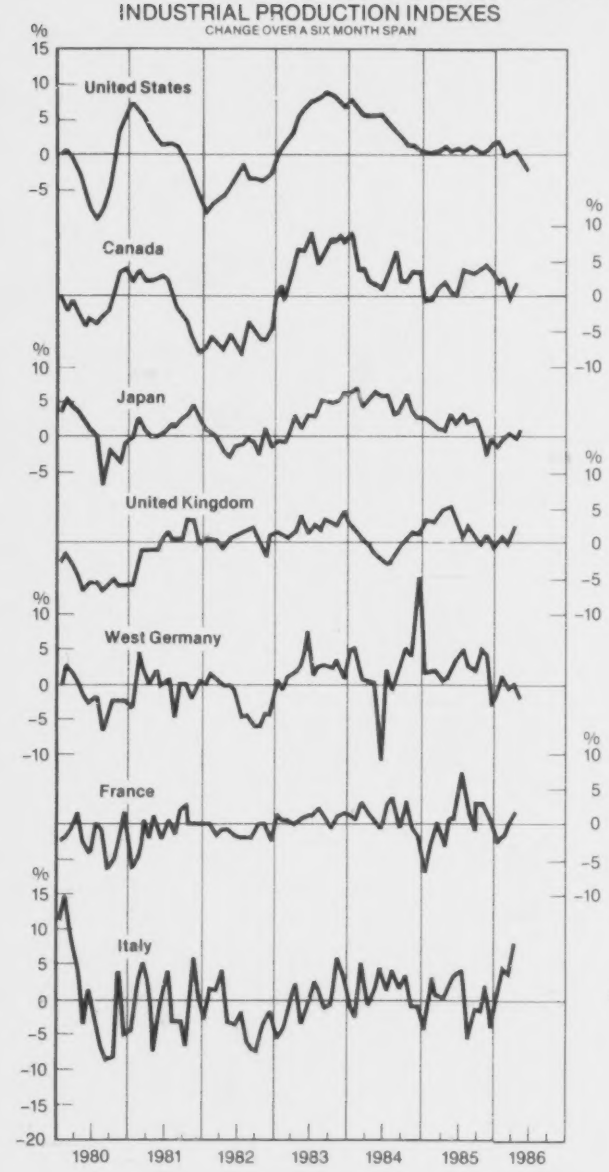
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1986		July, 1986		July, 1986		July, 1986		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
		$4182.3	3.2%	$4182.3	3.2%	$4182.3	3.2%	II	1986	Actual
4236.6	5.3	4228.1	4.5	4229.9	4.6	4232.0	4.8	III		
4300.9	6.2	4291.6	6.1	4271.5	4.0	4303.0	6.9	IV		
4367.3	6.3	4357.8	6.3	4331.7	5.8	4393.0	8.6	I	1987	
4401.5	3.2	4413.4	5.2	4398.3	6.3	4485.4	8.7	II		
4457.8	5.2	4492.3	7.3	4459.8	5.7	4575.4	8.3	III		
4538.2	7.4	4561.8	6.3	4528.7	6.3	4655.7	7.2	IV		
		4650.9	8.0	4618.5	8.2	4730.3	6.6	I	1988	
		4727.2	6.7	4701.9	7.4	4818.5	7.7	II		
		4813.2	7.5	4758.7	4.9	4904.7	7.4	III		
4217.3	5.5	4212.8	5.4	4208.2	5.3	4216.6	5.5	Annual	1986	
4441.2	5.3	4456.3	5.8	4429.6	5.3	4527.4	7.4	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
		$3665.7	1.1%	$3665.7	1.1%	$3665.7	1.1%	II	1986	Actual
3684.1	2.0	3691.8	2.9	3689.1	2.6	3688.3	2.5	III		
3707.9	2.6	3718.1	2.9	3708.0	2.1	3723.5	3.9	IV		
3733.7	2.8	3745.6	3.0	3731.4	2.5	3771.2	5.2	I	1987	
3733.7	0.0	3761.3	1.7	3763.7	3.5	3816.1	4.8	II		
3746.8	1.4	3785.0	2.5	3793.3	3.2	3853.7	4.0	III		
3776.5	3.2	3804.2	2.0	3829.4	3.9	3878.6	2.6	IV		
		3845.7	4.4	3861.7	3.4	3898.8	2.1	I	1988	
		3866.7	2.2	3891.4	3.1	3929.4	3.2	II		
		3899.5	3.4	3904.4	1.3	3956.3	2.8	III		
3678.4	2.6	3682.9	2.7	3679.7	2.6	3683.4	2.7	Annual	1986	
3747.7	1.9	3774.0	2.5	3779.5	2.7	3829.9	4.0	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
		114.1	2.1%	114.1	2.1%	114.1	2.1%	II	1986	Actual
115.0	3.2	114.5	1.5	114.7	2.0	114.7	2.3	III		
116.0	3.5	115.4	3.2	115.2	1.9	115.6	2.9	IV		
117.0	3.4	116.3	3.2	116.1	3.1	116.5	3.2	I	1987	
117.9	3.2	117.3	3.5	116.9	2.7	117.5	3.7	II		
119.0	3.8	118.7	4.7	117.6	2.5	118.7	4.1	III		
120.2	4.1	119.9	4.2	118.3	2.4	120.0	4.5	IV		
		120.9	3.5	119.6	4.6	121.3	4.4	I	1988	
		122.3	4.4	120.8	4.2	122.6	4.4	II		
		123.4	3.9	121.9	3.5	124.0	4.5	III		
114.6	2.8	114.4	2.6	114.4	2.6	114.5	2.7	Annual	1986	
118.5	3.4	118.1	3.2	117.2	2.5	118.2	3.3	Annual	1987	
								Unemployment Rate		
	7.2%		7.2%		7.2%		7.2%	II	1986	Actual
	7.3		7.1		7.0		7.2	III		
	7.3		7.2		7.0		7.1	IV		
	7.3		7.2		7.0		7.0	I	1987	
	7.6		7.2		6.9		6.8	II		
	7.8		7.1		6.8		6.5	III		
	7.7		7.1		6.7		6.4	IV		
			7.1		6.6		6.5	I	1988	
			7.0		6.5		6.5	II		
			7.0		6.5		6.5	III		
	7.2		7.1		7.1		7.1	Annual	1986	
	7.6		7.2		6.9		6.7	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

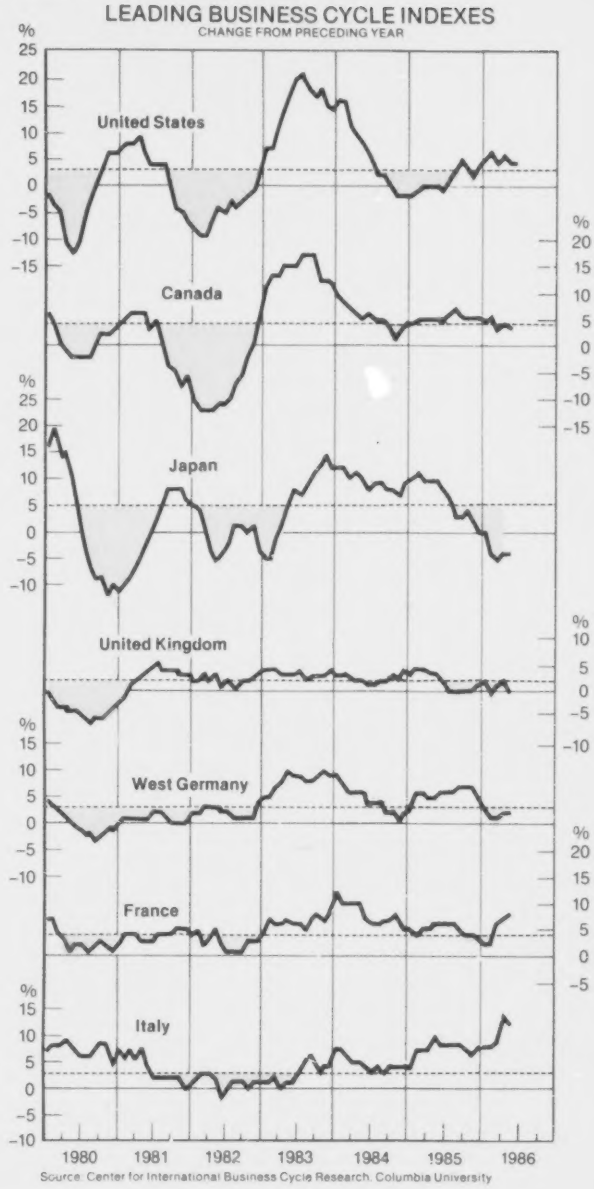
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

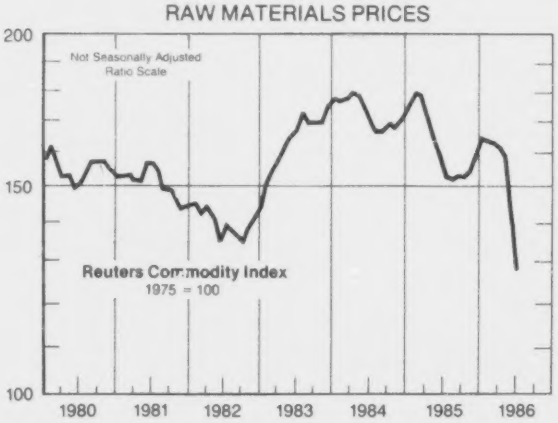
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

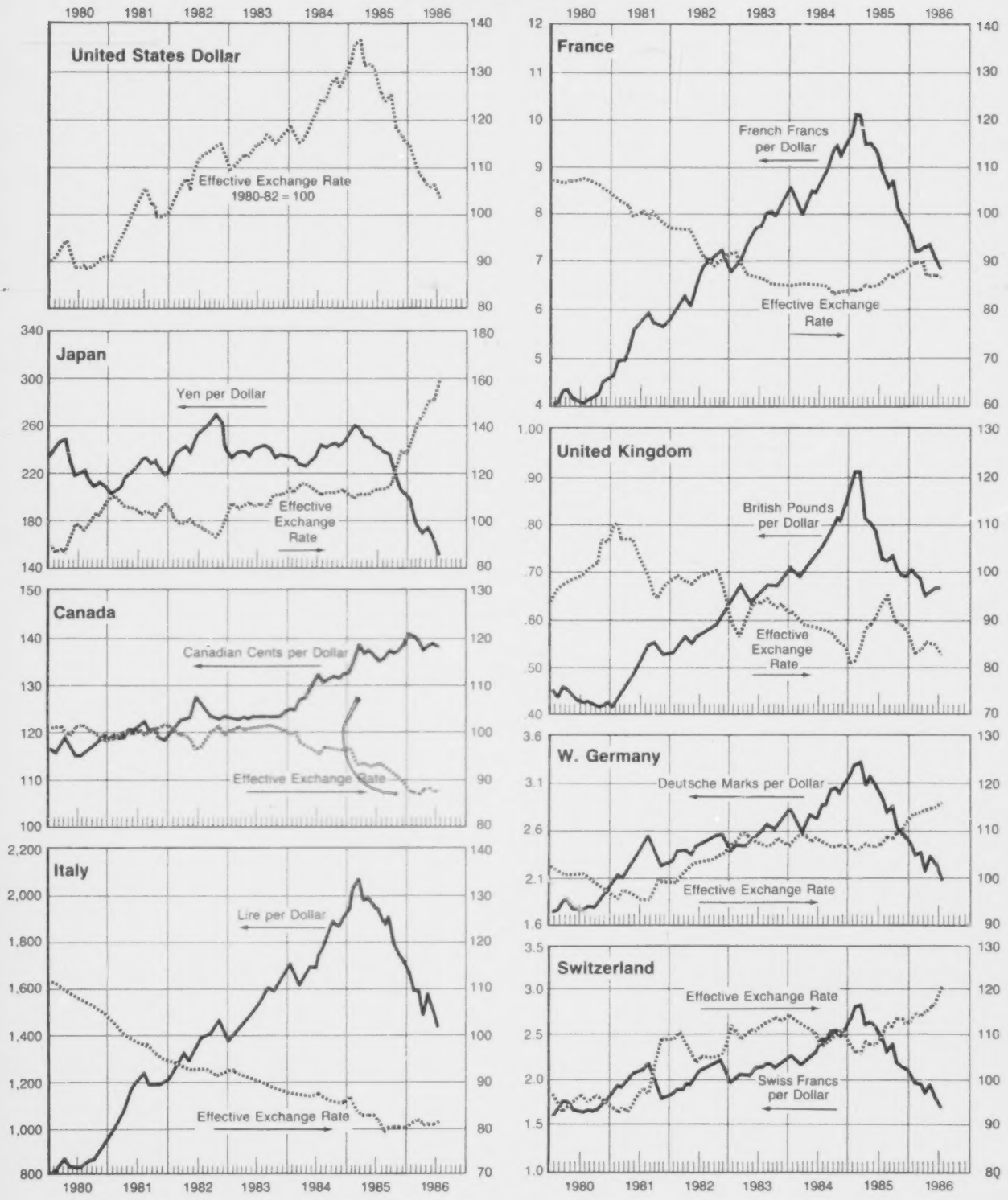
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

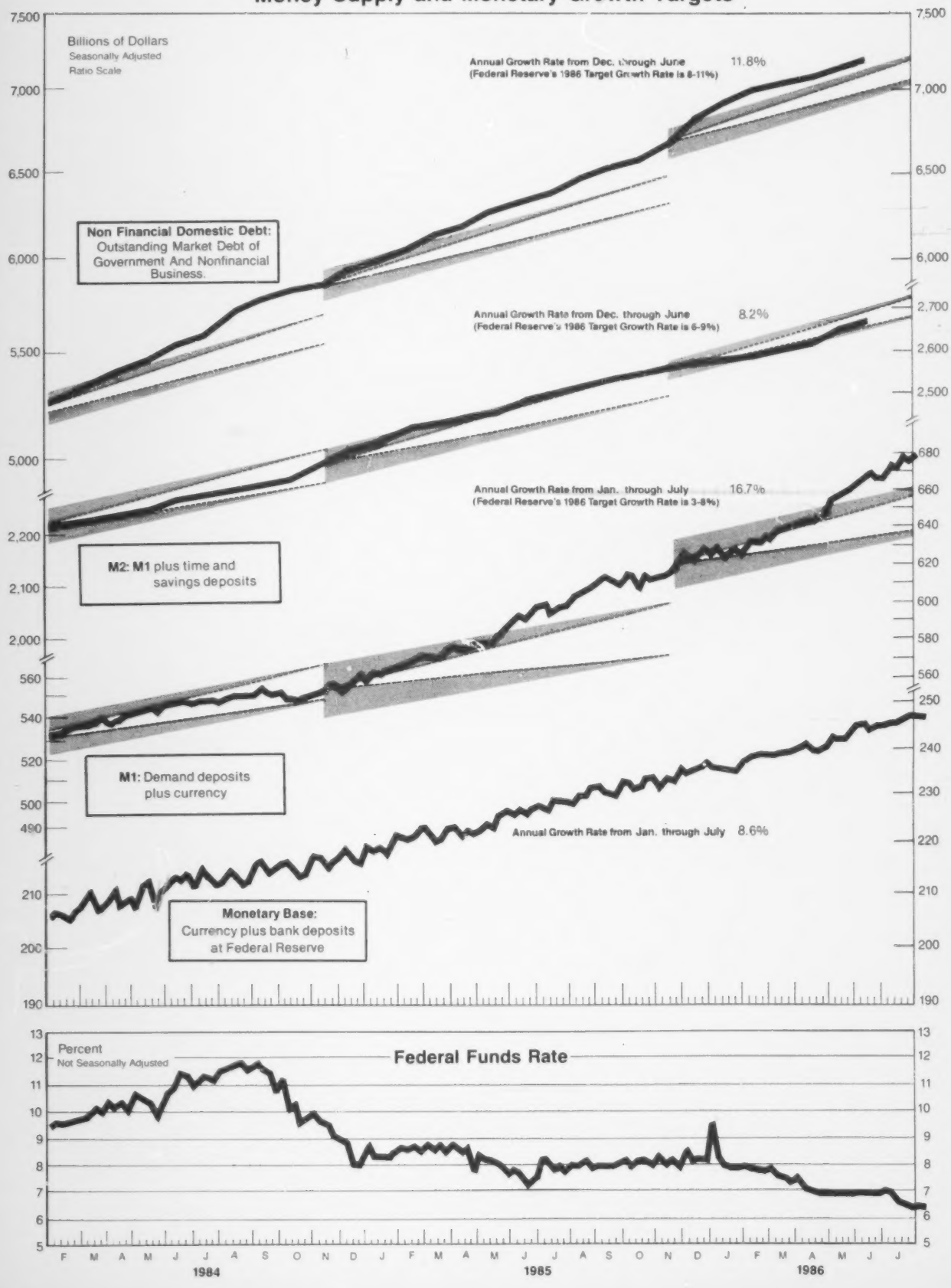
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4,930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Dec. through June 11.8%
(Federal Reserve's 1986 Target Growth Rate is 8-11%)
Non Financial Domestic Debt: Outstanding Market Debt of Government And Nonfinancial Business.
Annual Growth Rate from Dec. through June 8.2%
(Federal Reserve's 1986 Target Growth Rate is 6-9%)
Annual Growth Rate from Jan. through July 16.7%
(Federal Reserve's 1986 Target Growth Rate is 3-8%)
M2: M1 plus time and savings deposits
M1: Demand deposits plus currency
Annual Growth Rate from Jan. through July 8.6%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J
1984
1985
1986

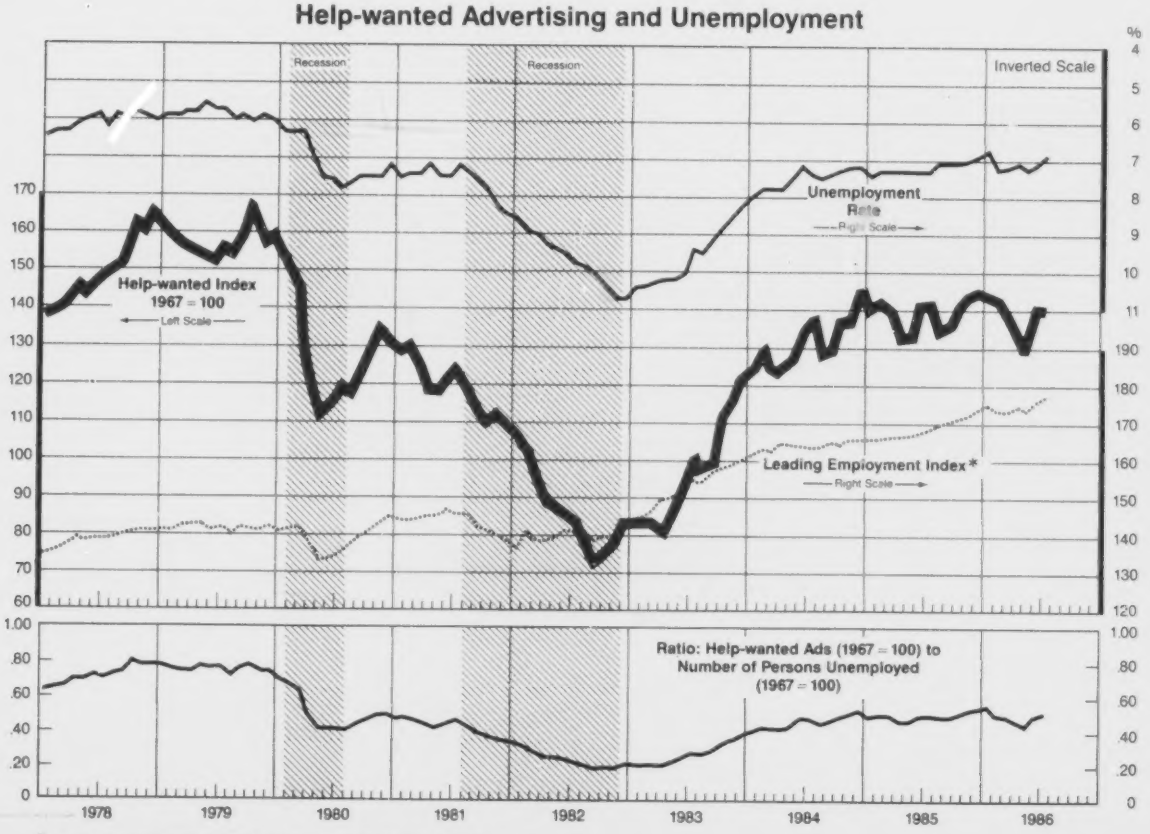
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986 June	1986 May	1986 April	1985 June
National Index	141	128r	132	141
New England	171	157	162	155
Boston	178	164	170	166
Hartford	171	164	164	151
Providence	148	125	132	124
Middle Atlantic	80	71	73	69
Albany	192	182	169	176
Allentown	249	197	189	191
New York	62	57	60	54
Philadelphia	72	59	63	61
Pittsburgh	83	75	81	72
Rochester	86	77	81	86
Syracuse	N.A.	N.A.	123	112
East North Central	96	86	90	90
Chicago	101	89	94	99
Cincinnati	153	140	144	147
Cleveland	67	56	59	61
Columbus	163	144	147	134
Dayton	97	82	83	91
Detroit	65	64	67	64
Gary	140	125	112	113
Indianapolis	109	101	98	90
Milwaukee	57	52	56	57
Toledo	122	114	119	112
West North Central	94	82	88	94
Kansas City	169	129	149	145
Minneapolis	65	63	67	75
Omaha	121	108	115	124
St. Louis	70	65	65	73
South Atlantic	200	177	174	191
Atlanta	289	251	263	303
Baltimore	N.A.	195	185	222
Charlotte	159	145	152	143
Jacksonville	221	217	213	216
Miami	87	77	78	79
Richmond	149	137	129	105
Washington, D.C.	192	167	164	178
East South Central	152	143	156	149
Birmingham	161	152	149	166
Knoxville	203	212	222	194
Louisville	90	80	74	98
Memphis	137	126	125	112
Nashville	206	190	257	208
West South Central	175	163	176	253
Dallas	196	187	202	343
Houston	217	200	224	303
New Orleans	109	95	99	114
Oklahoma City	117	108	102	155
San Antonio	166	167	178	219
Tulsa	130	117	122	168
Mountain	287	269	268	326
Denver	172	157	167	207
Phoenix	439	410	395	484
Salt Lake City	294	285	287	334
Pacific	203	192r	197	192
Los Angeles	141	136r	140	140
Sacramento	378	279	370	350
San Bernadino	228	217	230	210
San Diego	464	457	459	431
San Francisco	212	202	191	193
Seattle	198	189	192	182
Percentage of papers with rising volume	96%	27%	24%	94%
Unemployment rate	7.1%	7.3%	7.1%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2r	95.4p					

Buying Plans Index

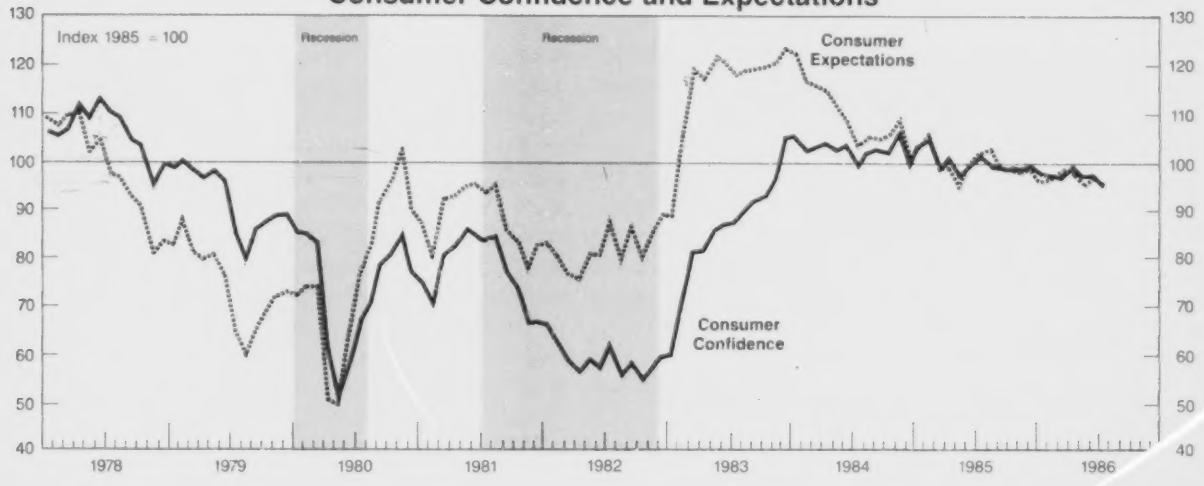
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4r	102.1p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

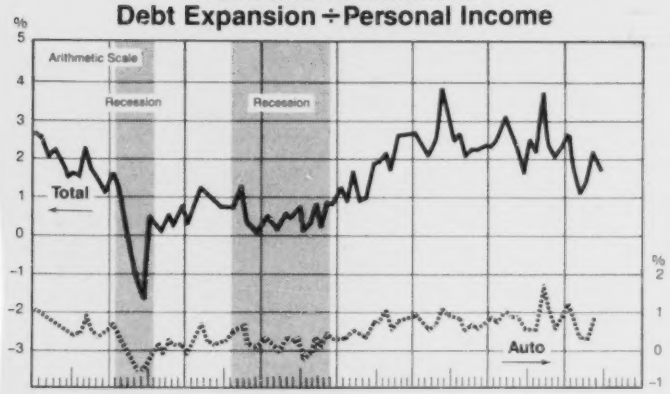
p—preliminary r—revised

Consumer Confidence and Expectations



ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.36
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	6.89
	21-31	7.43	8.59	7.53	7.92
August:	1-10	7.39	7.33	6.47	6.95
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales